
Finance Committee

HB 1017

Brief Description: Providing tax credits for contributions to low-income housing efforts.

Sponsors: Representatives Haler, Green, Takko, Appleton, Morrell, P. Sullivan, McDonald, Haigh, Dunn, Simpson, Linville, B. Sullivan, Wood, Hinkle and Ormsby.

Brief Summary of Bill

- Allows tax credits against the B&O tax and the public utility tax for contributions to low-income housing programs.

Hearing Date: 1/12/07

Staff: Rick Peterson (786-7150).

Background:

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the state General Fund.

The public utility tax applies to the gross income derived from the operation of publicly and privately owned utilities. The tax is in lieu of the B&O tax and applies to the general categories of transportation and the supply of energy and water.

Summary of Bill:

Taxpayers may take a tax credit against the B&O tax and the public utility tax for 50 percent of contributions to the housing trust fund and 75 percent of contributions to a nonprofit organization that builds homes and provides home ownership for low-income persons (less than 80 percent of median income).

Taxpayers apply for the tax credit with the Department of Revenue (DOR) before contributions are made. Applications start January 1, 2008, and will be approved on a first-come basis.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Approved tax credits are taken in the calendar year immediately following the year in which the application is approved and the contribution is made. Tax credits cannot be carried over to subsequent years and no refunds are allowed. Taxpayers participating in the tax credit program must electronically file all forms and returns with the DOR.

The amount of the tax credit is limited as follows:

- a. \$500,000 in tax credits for each taxpayer in any calendar year;
- b. \$250,000 in tax credits for each home ownership organization in any calendar year; and
- c. \$1,500,000 in total credits in each calendar year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.